



PRESS RELEASE

House National Security Committee

Floyd D. Spence, Chairman

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STATEMENT OF CHAIRMAN FLOYD SPENCE

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On October 28, the Director of OMB sent me a letter outlining the Administration's concerns with H.R. 1119, the National Defense Authorization Act for Fiscal Year 1998. In addition to the veto threat on the depot maintenance issue, the letter also cited the Administration's "strong objections" to the conference compromise on the issue of supercomputer export controls. Interestingly enough, over the course of several months of communication with the Administration concerning the defense authorization conference, supercomputers was not raised as a significant issue until then.

Therefore, we are holding this hearing this morning to attempt to gain a better understanding of why the Administration continues to object to what is modest and reasonable legislation to address a serious problem.

Since the Administration relaxed its policy last year on supercomputer exports, there have been numerous revelations about the unauthorized shipment or diversion of U.S.-made supercomputers to countries and entities of proliferation concern. We have learned that U.S. supercomputers have been inappropriately shipped to military research facilities in China and nuclear weapons laboratories in Russia. By the admission of Russian officials, these computers will be used to help maintain Russia's nuclear weapons stockpile.

More recent press stories also indicate that an additional 16 U.S.-made high performance computers were illegally obtained by a Russian nuclear weapons laboratory using European middlemen in violation of U.S. export control regulations.

The true impact of these transfers on the ability of other countries to develop weapons that pose a threat to U.S. interests may never be fully known. However, it seems to me that it is in our national interest to find out. In this regard, I am deeply concerned over reports that the Commerce Department has refused to provide all relevant information to the intelligence community in order to help it assess the potential military

consequences of these transfers. I hope these reports are false.

I firmly believe that these unauthorized transfers have been facilitated—if not encouraged—by the Administration’s own relaxation of supercomputer export controls. As a result, earlier this year, Mr. Dellums and I jointly sponsored legislation designed to help close the loophole in the current export control process that allowed these transfers to occur. The legislation, which has since been modified in conference with the Senate, passed the House earlier this year with an overwhelming vote of 332 to 88. Yet the Administration apparently objects even to the compromise.

Our legislation was designed to correct the most glaring flaw in the Administration’s policy – which is the “honor system” approach that places industry in the inappropriate role of determining for themselves the true identity of supercomputer customers in countries of proliferation concern. This arrangement has led, at a minimum, to dozens of U.S. supercomputers being sold to users of questionable reputation – transactions that under the Administration’s policy take place with little or no visibility on the part of the U.S. government.

As incomprehensible as it may seem, under this relaxed policy, the Administration did not know that a U.S.-manufactured supercomputer had been exported to one of Russia’s premier nuclear weapons laboratories, until the Russian Minister of Atomic Energy revealed it during a press conference. Until this Committee and others in Congress began asking obvious questions, the Administration was unsure of how many supercomputers had been exported to China and apparently did not know that at least one had been diverted to a Chinese military institute. Given this pattern, I suspect that it will be years before we have a full appreciation of how many supercomputers may have slipped through the loopholes that characterize the Administration’s relaxed export policy.

Some of these incidents are now the subject of Justice Department criminal investigations. The rest will require the watchful eye of our intelligence community once it has received all pertinent information.

Contrary to the inflated rhetoric associated with opponents of this provision, the legislation merely requires that supercomputer exports to countries of proliferation concern — so-called “Tier III countries” – first go through a 10 day review period by the federal government. Such a short review would still permit our national security, arms control and diplomatic agencies the opportunity to assess whether an otherwise innocent-looking transaction poses security concerns. If such a concern is raised during the review, then the normal export license process would apply. However, the important point that bears repeating is that nowhere in this legislation are supercomputer exports to any countries banned or prohibited. All the legislation does is require that the federal government pay attention to and review the flow of this sensitive technology to those nations identified as a proliferation concern.

Striking a balance between protecting national security interests and promoting U.S. exports has always been contentious. Given the commanding share of the global information technology market that U.S. companies current hold, we should not unnecessarily inhibit or damage American trade competitiveness. However, I am firmly convinced that the legislation in question has struck an appropriate balance by granting the President sufficient flexibility to reflect the rapid advance of technology as well as any and future changes in the status of so-called “Tier 3” nations. Given the stakes involved, asking industry to sacrifice 10 days to ensure that the federal government has an opportunity to at least review supercomputers exports does not strike me as too high a price to pay.